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FEDERAL COMMUNICATIONS
COMMISSION
OFFICE OF SECRETARY

June 17, 1994

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: *PP Docket No. (93-253) Competitive Bidding and GN Docket No. 90-314, Personal Communication Services*

Today, Paul Milgrom, Professor of Economics, Stanford University, Jim Tuthill, Pacific Bell, and I met with Chairman Hundt, Commissioner Chong and Richard Welch of her staff, Commissioner Quello and Lauren Belvin of his staff, and Evan Kwerel and Greg Rosston, Office of Plans and Policy, to discuss auction procedures and designated entities. The attached document was provided during the presentation. Please associate this material with the above-referenced proceedings.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Attachment

cc: Chairman Hundt
Commissioner Chong
Commissioner Quello
Lauren Belvin
Richard Welch
Evan Kwerel
Greg Rosston

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Personal Communications Services



Bringing Mobility to the Mass Market

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A SIMULTANEOUS AUCTION OF ALL LICENSES, VIA REPEATED SEALED BIDS, IS BEST FOR PCS.

PACIFIC BELL
A Pacific Telesis Company

- **A simultaneous auction provides numerous benefits over other types of auctions:**
 - **Maximizes total value of licenses ✓**
 - **Ensures equal bidding opportunities for all bidders ✓**
 - **Gives all bidders equal information as the auction progresses ✓**
 - **Avoids the "free rider" problem inherent in combinatorial auctions ✓**
 - **Permits backup strategies ✓**
 - **The winner is obvious to participants, the Commission and the public ✓**
 - **Minimizes strategic behavior ✓**

INCENTIVES FOR DESIGNATED ENTITIES SHOULD BE ADOPTED.



- **Pacific Bell supports the adoption of Designated Entities' preferences for Broadband licenses which were adopted for Narrowband licenses:**
 - **Bidding Credits**
 - **Installment Payments**
 - **Tax Certificates**
- **Additionally, the Commission should allow greater flexibility to partner with larger participants because it will enhance the Designated Entities' chances for success.**
 - **Any small company, including Designated Entities, will have difficulty competing against entrenched cellular firms without a brand name, marketing channels, and an infrastructure.**
 - **A partner will provide the strengths the Designated Entity may lack.**

DESIGNATED ENTITY (D.E.) PARTNERING RELATIONSHIP

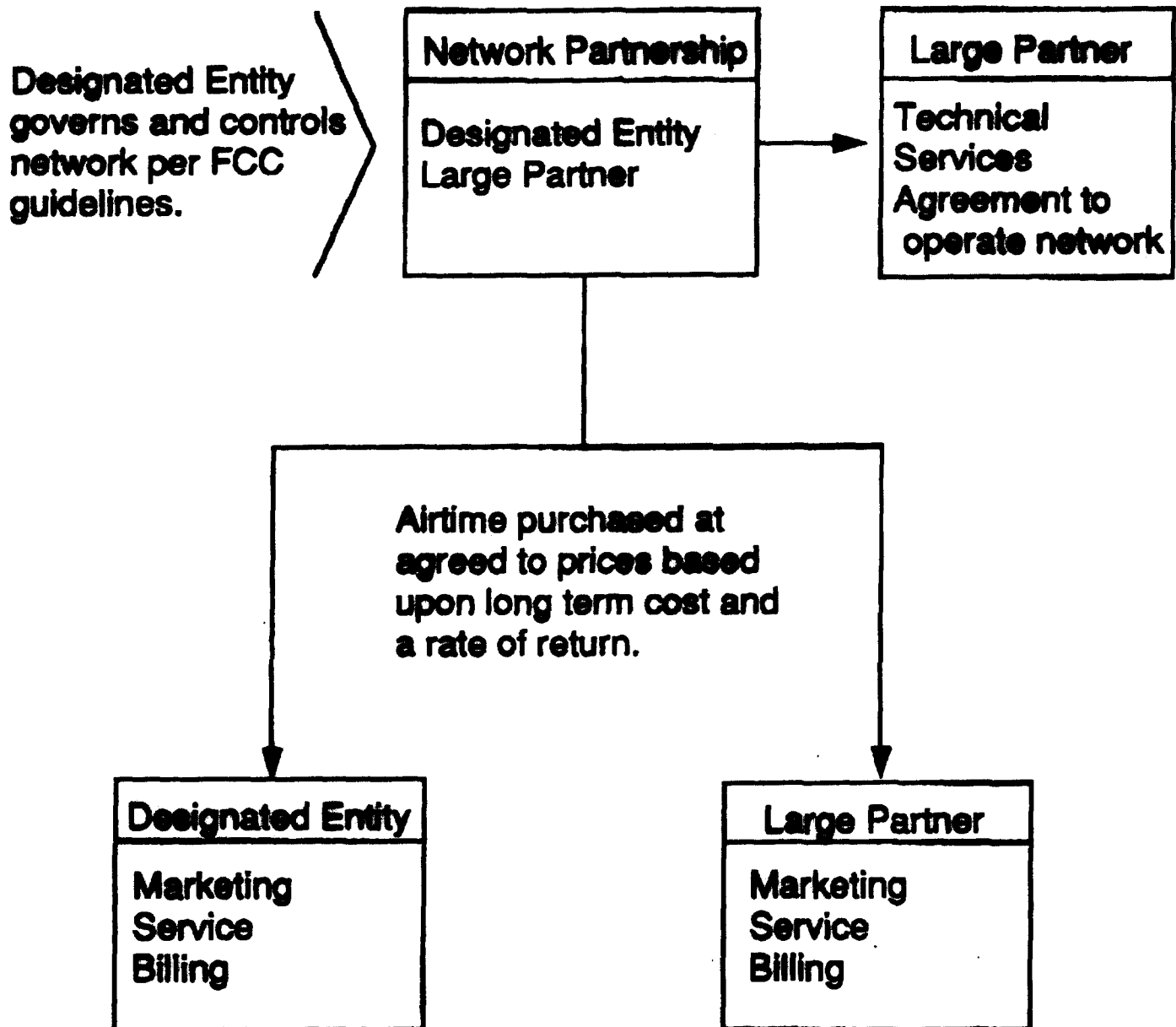
- OBJECTIVES

- ➔ BUILD D.E. SKILL FOR LONG-TERM PRESENCE IN COMMUNICATIONS BUSINESS
- ➔ ALLOW D.E. TO BENEFIT FROM PARTNER'S SCALE ECONOMICS
- ➔ ARRANGE D.E. BUSINESS TO INCREASE PCS MARKET PENETRATION
- ➔ UTILIZE PARTNER'S FINANCING AND OPERATIONAL EXPERTISE TO BENEFIT D.E.

- POSSIBLE BUSINESS ARRANGEMENT

- ➔ NETWORK PARTNERSHIP (N.P.)
 - * VARIOUS OWNERSHIP OPTIONS
 - * D.E. CONTROLS BOARD AND OVERSEES OPERATIONS
 - * D.E. CONTRACTS OPERATIONAL FUNCTIONS TO PARTNER
 - * N.P. WHOLESALES MOUs TO PARTNERS (AND POSSIBLY OTHERS)
- ➔ MARKETING COMPANIES
 - * SEPARATE MARKETING AND SERVICE ORGANIZATIONS FOR BOTH PARTNERS
 - * BOTH PURCHASE MOUs FROM N.P. LONG TERM F. AT 30 YR TREAS RATES

Designated Entity Partnership Structure



Designated Entity is able to price service taking advantage of Larger Partner Market scale.